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## **COMMUNITY COMMENTARY: Up to \$20M in tax refunds may be due**

By Michelle Steel

With just days left before Christmas, St. Nich is busy double checking his naughty and nice list. It's too bad California's sales tax agency isn't as thorough. Due to negligence in reviewing the agency's list of tax accounts, the Board of Equalization has made a million-dollar mistake and wrongly withheld tax refund checks from thousands of businesses.

After investigating the board's refund procedures, I found that the agency had withheld tax security deposit checks worth \$4 million from more than 600 businesses.

Some checks were illegally held for almost three years. What's more disturbing: Those numbers reflect only my equalization district of one-fourth of the state. Statewide, the tax agency could be withholding anywhere from \$16 to \$20 million in tax refund checks.

This gross oversight in refund procedures reflects a problem in the state's priorities. If the tables had been turned and the taxpayer owed the state the same amount of money, the taxpayer would have faced a 10% penalty the first day it was late, plus 11% annualized interest.

Yet, these businesses won't be receiving reciprocal treatment or any interest for their delayed refunds. Instead of finding ways to support our small businesses, government looks to beg, borrow and steal from taxpayers.

Under state law, certain businesses can be required to post and maintain a tax security deposit for their first three years of operation. The security deposit acts as collateral against any potential tax liabilities. In January 1997, a change in state law required the board to release security deposits for business without tax problems for a three-year period.

In my district, tax refunds exceeded this three-year period anywhere from a few months to almost three years. In September, a San Diego business contacted my office for help with the release of their security deposit. The owner needed the money to open a second location. After a perfect review of the taxpayer's record, I ordered the San Diego District Office to release the taxpayer's deposit and started investigating why this delay occurred at all.

It became clear this was no isolated case. I ordered all Third District Board of Equalization

offices to review all business accounts and release every eligible security deposit. Since that time, close to \$1 million has been returned to taxpayers. More security deposits will be released later this month.

After clearing the backlog of close to 500 cases, I turned my attention to a long term, permanent solution. I am pleased to announce that the Third Board of Equalization district will institute a “Business Cashback Program” in January, where every month staff review eligible security deposits for release. Further, I have asked the board at its next meeting in January to investigate this problem statewide and apply my pilot program as a solution.

In the meantime, taxpayers can call my toll-free, tax help-line (866) 910-9558 to check if your Christmas stocking will be filled with a tax refund check.

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